

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 PA-01 PRS-01 SP-02 SS-15 AID-05
COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
LAB-04 SIL-01 OMB-01 DHA-05 AGRE-00 SAB-02 MCT-01
USIE-00 INRE-00 NSCE-00 SSO-00 /085 W
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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC NIACT IMMEDIATE 5482

C O N F I D E N T I A L SECTION 1 OF 2 SAN SALVADOR 4321

E.O. 11652: GDS

TAGS: SHUM, PGOV, PINS, PINT, ES, US

SUBJECT: HUMAN RIGHTS IN EL SALVADOR AND IDB LOAN APPLICATION
FOR SAN LORENZO DAM

REF: (A) SAN SALVADOR 3313, (B) SAN SALVADOR 3358,
(C) SAN SALVADOR 3767, (D) SAN SALVADOR 3845,
(E) SAN SALVADOR 4319, (F) SAN SALVADOR 4320

1. THE FOLLOWING EMBASSY REVIEW AND VIEWS ARE SUBMITTED FOR
USE OF DEPARTMENT OFFICIALS IN CONNECTION WEDNESDAY (SEPT 14)
PM CONSIDERATION OF USG POSITION ON GOES APPLICATION FOR IDB
LOAN FOR SAN LOREZNO HYDROELECTRIC PROJECT. DEPARTMENTAL REVIEW
OF REFERENCES RECOMMENDED. FOR EXECUTIVE SECRETARIAT--NIACT
IMMEDIATE NECESSARY FOR AFTER HOURS TRANSMISSION OF THIS MESSAGE
ANG OPENING OF BUSINESS RECEIPT BY CONCERNED OFFICES IN DEPARTMENT.

2. ECONOMIC FACTORS INVOLVED IN CONSIDERATION OF THE
SAN LORENZO PROJECT AS THE EMBASSY SEES THEM ARE:

(A) EL SALVADOR NEEDS ADDITIONAL GENERATING CAPACITY BY
1982. ALL INFORMATION AVAILABLE TO THE EMBASSY INDICATES
THAT HYDROELECTRIC DEVELOPMENT IS THE MOST ECONOMIC MEANS OF
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PROVIGING THIS CAPACITY, PRINCIPALLY BECAUSE OF THE HIGH OPERATING
COST OF THE ALTERNATIVE OF INCREASED THERMAL GENERATING CAPACITY.

(B) THE GOES IS DETERMINED TO GO AHEAD WITH SAN LOREZNO
EVEN IN THE ABSENCE OF IDB FINANCING, UTILIZING SUPPLIER CREDITS.
THIS MEANS THAT THE EFFECT OF DENYING THE LOAN WOULD BE TO
INCREASE CONSIDERABLY THE CAPITAL COST OF THE PROJECT TO

THE GOES, AND BECAUSE OF SHORTER TERM TO PLACE A MORE INTENSIVE DEBT SERVICE BURDEN AT CRITICAL PERIOD IN EL SALVADOR'S DEVELOPMENT PROCESS. THIS WOULD RESULT IN SIGNIFICANTLY HIGHER ELECTRICITY COSTS WHICH WOULD BE MET BY INCREASING RATES OR CENTRAL GOVERNMENT SUBSIDIES TO POWER GENERATION AUTHORITY.

(C) DENIAL OF IDB FINANCING WOULD THUS IMPACT THE POOR IN THE FOLLOWING WAYS:

(1) INCREASED POWER COSTS WOULD DAMPEN INVESTMENT IN INDUSTRY AND HENCE DECREASE EMPLOYMENT OPPORTUNITIES.

(2) HIGHER COSTS WOULD INCREASE INFLATIONARY PRESSURES SO THAT ALL SALVADORANS, INCLUDING POOR, WOULD PAY MORE FOR LOCALLY PRODUCED GOODS.

(3) GOES DECISION TO SUBSIDIZE POWER PRODUCTION WOULD DECREASE BUDGETARY RESOURCES AVAILABLE FOR OTHER PURPOSES, INCLUDING SOCIAL OVERHEAD EXPENDITURES WHICH DIRECTLY BENEFIT POOR.

(4) INCREASE TAXES TO COVER SUBSIDY COST WOULD AFFECT POOR, UNLESS SPECIAL FISCAL MEASURES ADOPTED BY GOES. ABOUT 25 PERCENT OF GOES REVENUE NOW COMES FROM REGRESSIVE CONSUMPTION TAXES.

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(5) IN CASE DECISION WERE NOT TO BUILD DAM (WHICH UNLIKELY) THERE WOULD BE DIRECT LOSS OF EMPLOYMENT OPPORTUNITY FOR THOUSANDS OF SALVADORANS, MOSTLY LOWER INCOME, WHO WOULD BE EMPLOYED IN CONSTRUCTION.

(D) CONVERSELY, APPROVAL OF IDB LOAN WILL DIRECTLY BENEFIT THE NEEDY BY PROVIDING JOBS ON THE DAM PROJECT AND IN INCREASED NUMBER OF INDUSTRIES ATTRACTED BY CHEAPER AND MORE ABUNDANT ELECTRICAL POWER, AND BY IMPROVING QUALITY OF THEIR LIFE BY PROVISION OF ELECTRICITY THEY CAN BETTER AFFORD.

(E) DENIAL OF IDB FINANCING WOULD PROBABLY ADVERSELY AFFECT US ECONOMIC INTERESTS. UNDER IDB LOAN, CHANCES ARE THAT US FIRM WOULD RECEIVE CONSTRUCTION CONTRACT. IF SUPPLIER CREDITS ARE UTILIZED (OFFERS HAVE BEEN RECEIVED FROM BRAZIL AND FRANCE, AMONG OTHERS), PROCUREMENT WILL BE TRIED AND US ROLE MINIMAL.

(F) BENEFIT OF INFLUX OF IDB MONEY FOR DAM CONSTRUCTION WOULD PROBABLY COME AT TIME OF DECREASE IN COFFEE REVENUE.

3. INDICATIONS OF PRESIDENT ROMERO'S ATTEMPTS (SINCE TAKING

OFFICE ON JULY 1) TO IMPROVE HUMAN RIGHTS IN EL SALVADOR
ARE:

(A) RELEASE OF SEVERAL POLITICAL PRISONERS WHO HAD BEEN
HELD INCOMMUNICADO FOR A NUMBER OF MONTHS AND STRONG INDICATIONS
THAT OTHERS WILL BE RELEASED IN THE NEAR FUTURE. (THERE ARE
STILL A SMALL BUT UNKNOWN NUMBER OF POLITICAL PRISONERS ARRESTED
DURING THE PREVIOUS ADMINISTRATION).

(B) PROMPT NOTIFICATION TO THE EMBASSY AND EXCELLENT
TREATMENT OF THE ONE US CITIZEN WHO HAS BEEN ARRESTED UNDER
THE ROMERO REGIME.

(C) REPLY FROM THE GOVERNMENT TO NUMBER OF US COMPLAINTS
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ON VIOLATIONS OF THE VIENNA CONVENTION ON CONSULAR RELATIONS
AND PROMISE TO INSTRUCT POLICE FORCES ON OBSERVANCE.

(D) A FORMAL REPLY AND APOLOGY FROM THE GOVERNMENT (AL-
THOUGH NOT ENTIRELY RESPONSIVE NOR SATISFACTORY) CONCERNING
THE LONG PENDING RICHARDSON CASE.

(E) MODERATE AND LEGAL REACTIONS OF THE POLICE AND
ARMED FORCES IN THE COUNTRY-WIDE BOMBINGS ON AUGUST 21 AND
THE SEPTEMBER 6 KIDNAPPING OF MRS. CHIURATE, AS OPPOSED
TO PREVIOUS OVERREACTIONS AND REPRESEIVE MEASURES IN SIMILAR
INCIDENTS.

(F) PRESIDNET ROMERO'S REQUEST, MADE IN WASHINGTON AT SIGN-
ING OF PANAMA CANAL TREATY, TO HAVE INTER-AMERICAN COMMISSION
ON HUMAN RIGHTS TO COME TO EL SALVADOR FOR A COMPLETE AND
UNHINDERED INVESTIGATION OF HUMAN RIGHTS SITUATION IN EL
SALVADOR.

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LAB-04 SIL-01 OMB-01 DHA-05 AGRE-00 SAB-02 MCT-01
USIE-00 INRE-00 NSCE-00 SSO-00 /085 W
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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC NIACT IMMEDIATE 5483

C O N F I D E N T I A L SECTION 2 OF 2 SAN SALVADOR 4321

(G) PRESIDNETIAL INITIATIVES TO INSTITUTE DIALOGUES WITH BOTH CATHOLIC CHURCH AND OPPOSITION POLITICAL GROUPS, PARTICULARLY THE CHRISTIAN DEMOCRATS (ENITHER OF THESE INITIATIVES HAVE MET WITH VISIBLE IMPROVEMENTS AND THERE ARE CURRENTLY PROBLEMS ON BOTH FRONTS FOR CONTINUING DIALOGUES).

(H) PRESIDENTIAL ORDER ON SEPTEMBER 12 THAT ALL PRISONERS BE REMITTED TO COURT IMMEDIATELY (PRIOR PRACTICE HAD BEEN FOR ALL PRISONERS, BOTH CRIMINAL AND POLITICAL, TO REMAIN IN JAIL FROM SIX TO EIGHTEEN MONTHS AWAITING TRIAL).

(I). CONFIDENTIAL PRESIDENTIAL ORDER TO TERMINATE HARRASSMENT AND PERSECUTION OF CATHOLIC PRIESTS, INCLUDING PREVIOUSLY SERIOUSLY ENDANGERED JESUITS. (THERE ARE INDICATIONS, HOWEVER THAT THIS GOES PROTECTION HAS NOT BEEN EXTENDED TO CATHOLIC LAY PERSONNEL, THE SO-CALLE "CATECHISTS").

(J) CONFIDENTIAL PRESIDENTIAL ORDER THAT THERE BE NO TORTURE OR MISTREATMENT OF POLITICAL PRISONERS.

4. GIVEN THE SITUATION AS DESCRIBED ABOVE AND IN REFERENCES, CONFIDENTIAL

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I BELIEVE WE SHOULD LOOK AT QUESTION OF IDB LOAN ON SAN LORENZO DAM FROM LEGAL, POLICY AND PRACTICAL POINTS OF VIEW. SINCE SITUATION DOES NOT PRESENT A DETERMINATION THAT THERE IS IN EL SALVADOR A "CONSISTENT PATTERN OF GROSS VIOLATIONS OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS", NOR HAS SUCH A DETERMINATION BEEN MADE, THERE SEEMS TO BE NO LEGAL REQUIREMENT FOR APPLICATION OF THE HARKIN AMENDMENT. FURTHERMORE, EVEN IF SUCH A DETERMINATION WERE MADE, THE CLAUSE "UNLESS SUCH ASSISTANCE WILL DIRECTLY BENEFIT THE NEEDY PEOPLE" WOULD PROBABLY APPLY. IN THE ABSENCE OF A LEGAL REQUIREMENT TO VOTE AGAINST IDB ASSISTANCE TO EL SALVADOR, WE SERIOUSLY QUESTION (AS HAS BEEN STATED IN REF A) WHETHER SUCH ASSISTANCE SHOULD BE VETOED FOR POLICY (OR STRATEGIC) REASONS, MAINLY SINCE THE VERY BASIS OF US INVOLVEMENT IN INTERNATIONAL FINANCIAL INSTITUTIONS SEEMS TO BE VITIATED. ALTHOUGH WE HAVE DOUBTED THE EFFICACY OF TACTICAL USE OF THE

THREAT TO VETO THE IDB LOAN FOR EL SALVADOR, A FAVORABLE CHANGE IN ATTITUDE HAS BEEN BROUGHT PROBABLY IN PART BY OUR THREAT. WE BELIEVE THAT GIVEN ALL THE POSITIVE ACTIONS AND SIGNALS COMING OUT OF THE ROMERO ADMINISTRATION AND GIVEN OUR INABILITY AS YET TO RESOLVE IN OUR OWN MINDS DISCREPANCIES IN THE ACCOUNTS OF THE TEJUTLA INCIDENT, FURTHER TACTICAL USE OF THE IDB WEAPON IN THE SALVADORAN HUMAN RIGHTS SITUATION WILL, WE BELIEVE, BE COUNTER-PRODUCTIVE. FURTHERMORE, WE UNDERSTAND THAT FURTHER DEALY WILL ALMOST CERTAINLY RESULT IN NEGATIVE DETERMINATION ON THE LOAN AND DECISION TO ACCEPT ALTERNATE FINANCING, WITH ALL THE ECONOMIC AND POLITICAL CONSEQUENCES ENVISIONED (SEE ESPECIALLY REF A, PAR B.1.B(2));,

5. OUR RECOMMENDATION IS THAT WE GIVE US APPROVAL TO THE LOAN AND TURN TO THE IACHR, AN ALTERNATIVE IN EFFECT HANDED TO US ON A PLATTER, AS THE BEST MEANS FOR FURTHER PURSUIT OF US INTERESTS IN HUMAN RIGHTS OBSERVANCE IN EL SALVADOR. WE
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SHOULD ALSO CONTINUE TO ENCOURAGE SALVADORAN RATIFICATION OF THE SAN JOSE AGREEMENT. THESE MOVES WOULD HAVE THE ADVANTAGE OF MULTILATERALIZATION OF OUR INTERESTS. WE BELIEVE CRITICS COULD BE DIRECTED TO THE IACHR TO LODGE THEIR COMPLAINTS THERE AND THE USG COULD CONVEY ITS CONCERNS AS WELL TO THAT COMMISSION, WITHOUT IN ANY WAY WEAKENING THE POSSIBILITIES OF BILATERAL ACTIONS. FURTHERMORE, WE WOULD HELP STRENGTHEN THE IACHR AS THE HEMISPHERIC ORGAN FOR DEALING WITH THE CONCERNS EXPRESSED BY MOST AS A UNIVERSAL PROBLEM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: HUMAN RIGHTS, DEVELOPMENT BANKS, BANK LOANS, DAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANSAS04321
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770332-0698
Format: TEL
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770964/aaaacchb.tel
Line Count: 258
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8ac7e446-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 SAN SALVADOR 3313, 77 SAN SALVADOR 3358, 77 SAN SALVADOR 3767, 77 SAN SALVADOR 3845, 77 SAN SALVADOR 4319, 77 SAN SALVADOR 4320
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1277352
Secure: OPEN
Status: NATIVE
Subject: HUMAN RIGHTS IN EL SALVADOR AND IDB LOAN APPLICATION FOR SAN LORENZO DAM
TAGS: SHUM, PGOV, PINS, PINT, ES, US, IDB
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/8ac7e446-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009